

Background Presentation
by the Finance Department
to the
Blue Ribbon Committee on Taxes and Fees



March 19, 2007

Who Are We?

- Demographics of the City (2005 Census estimates):
 - Population: 640,064 (revised estimate)
 - Households: 257,996
 - Homeownership rate: 50.3%
 - Median household income: \$29,066
 - Persons below poverty level: 19.6%
- City government:
 - 15,130 full-time positions, with 9,383 (62%) General Fund
 - \$2.397 billion budget
 - \$2.016 billion operating (\$1.190 billion General Fund, 59%)
 - \$381.3 million capital

Why is the City's
Property Tax rate
so high
compared to other Maryland
counties?

Characteristics Regarding Use of a Municipality's Wealth

- CAPACITY TO RAISE REVENUE
- EFFORT made to raise revenue

Measures of Wealth

- Value of wealth in the assessable base that is taxable
 - Measure: $\text{Value/population} = \text{value per capita}$
- Value of the wealth related to the income of its citizens that is taxable
 - Measure: $\text{Value/population} = \text{Value per capita}$

Assessable Property Tax Base

City and County Assessable Property Tax Base and Population

JURISDICTION	ASSESSABLE BASE (\$ 000s)	POPULATION (July 2005 estimate)
BALTIMORE CITY	\$25,256,648	635,815
Montgomery County	\$145,815,228	927,583
Prince George's County	\$62,726,164	846,123
Baltimore County	\$62,365,607	786,113
Anne Arundel County	\$60,826,688	510,878
Howard County	\$36,224,837	269,457
Statewide	\$547,383,444	5,600,388

Source: MD Department of Legislative Services, 2007

Per Capita Assessable Property Tax Base

City and County Per Capita Assessable Property Tax Base

JURISDICTION	PER CAPITA ASSESSABLE BASE	COMPARATIVE PER CAPITA ASSESSABLE BASE AS A % OF BALTIMORE CITY'S PER CAPITA ASSESSABLE BASE
BALTIMORE CITY	\$39,723	NA
Montgomery County	\$157,199	396%
Howard County	\$134,436	338%
Anne Arundel County	\$119,063	300%
Baltimore County	\$79,334	200%
Prince George's County	\$74,134	187%
Statewide	\$97,740	246%

Source: MD Department of Legislative Services, 2007

One Cent Yield from Property Tax Rate

City and County Property Tax Yield and Tax Rates

JURISDICTION	ONE CENT YIELD IN REAL PROPERTY TAX RATE, FY07	REAL PROPERTY TAX RATE
Montgomery	\$14,190,000	\$0.916
Prince George's	\$5,991,000	\$1.319
Baltimore	\$5,939,000	\$1.100
Anne Arundel	\$5,829,000	\$0.918
Howard	\$3,481,000	\$1.140
BALTIMORE CITY	\$2,327,000	\$2.288

Source: MD Department of Legislative Services, 2007

Tax Rate Required to Fund Baltimore City Police Department

Police Department - \$286,000,000 Local Expense

**What tax rate is required to raise this amount of
money (\$286,000,000/real assessable base)?**

JURISDICTION	REQUIRED TAX RATE PER \$100 REAL ASSESSED VALUE
BALTIMORE CITY	\$1.2290
Howard County	\$0.8217
Anne Arundel County	\$0.4907
Baltimore County	\$0.4816
Prince George's County	\$0.4774
Montgomery County	\$0.2016

**54% of the
current tax rate**

Source: MD Department of Legislative Services, 2007

Per Capita Net Taxable Income

City and County Per Capita Net Taxable Income (2005)

JURISDICTION	PER CAPITA NET TAXABLE INCOME (2005)	COMPARATIVE PER CAPITA NET TAXABLE INCOME AS A % OF BALTIMORE CITY'S PER CAPITA NET TAXABLE INCOME
BALTIMORE CITY	\$10,693	NA
Montgomery County	\$34,759	325%
Howard County	\$29,857	279%
Anne Arundel County	\$24,190	226%
Baltimore County	\$22,849	214%
Prince George's County	\$13,912	130%

Source: MD Department of Legislative Services, 2007.

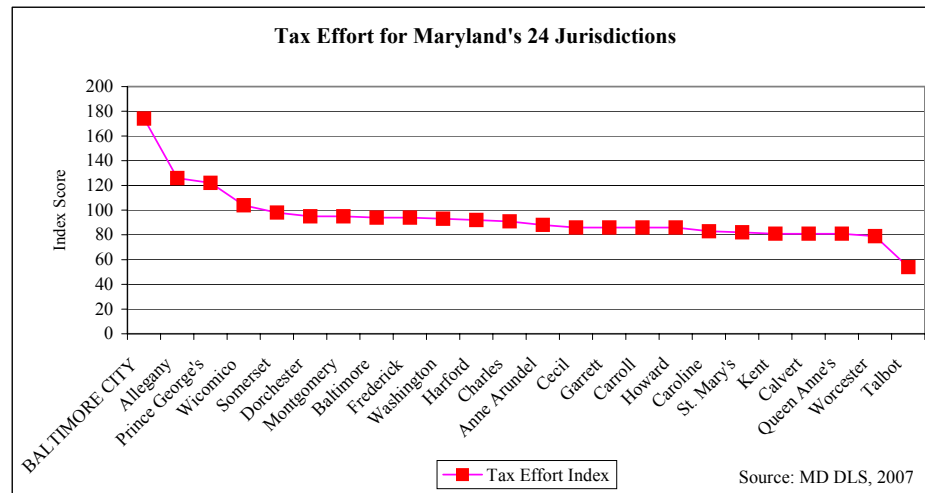
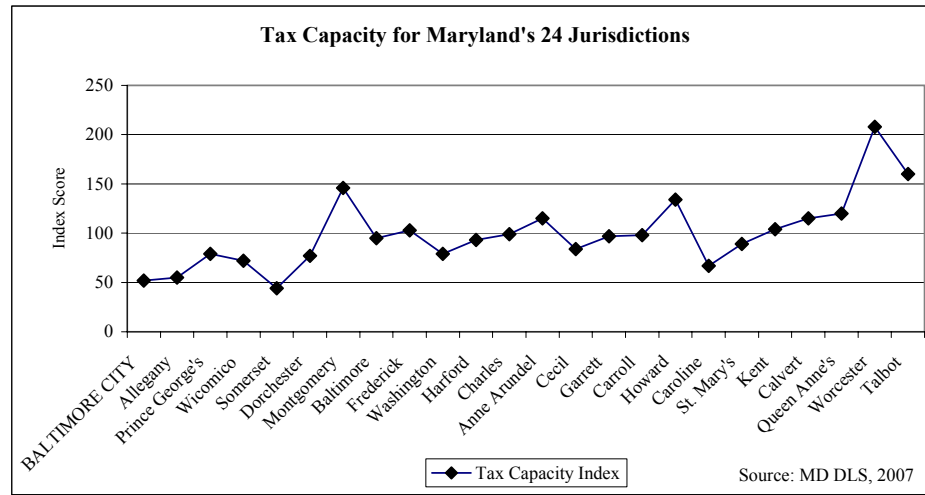
Income Tax Wealth Base

- If Baltimore City had the income tax wealth base that Baltimore County has, the City would generate enough income tax revenue to offset the property tax rate by approximately 60 cents.

Tax Capacity vs. Tax Effort

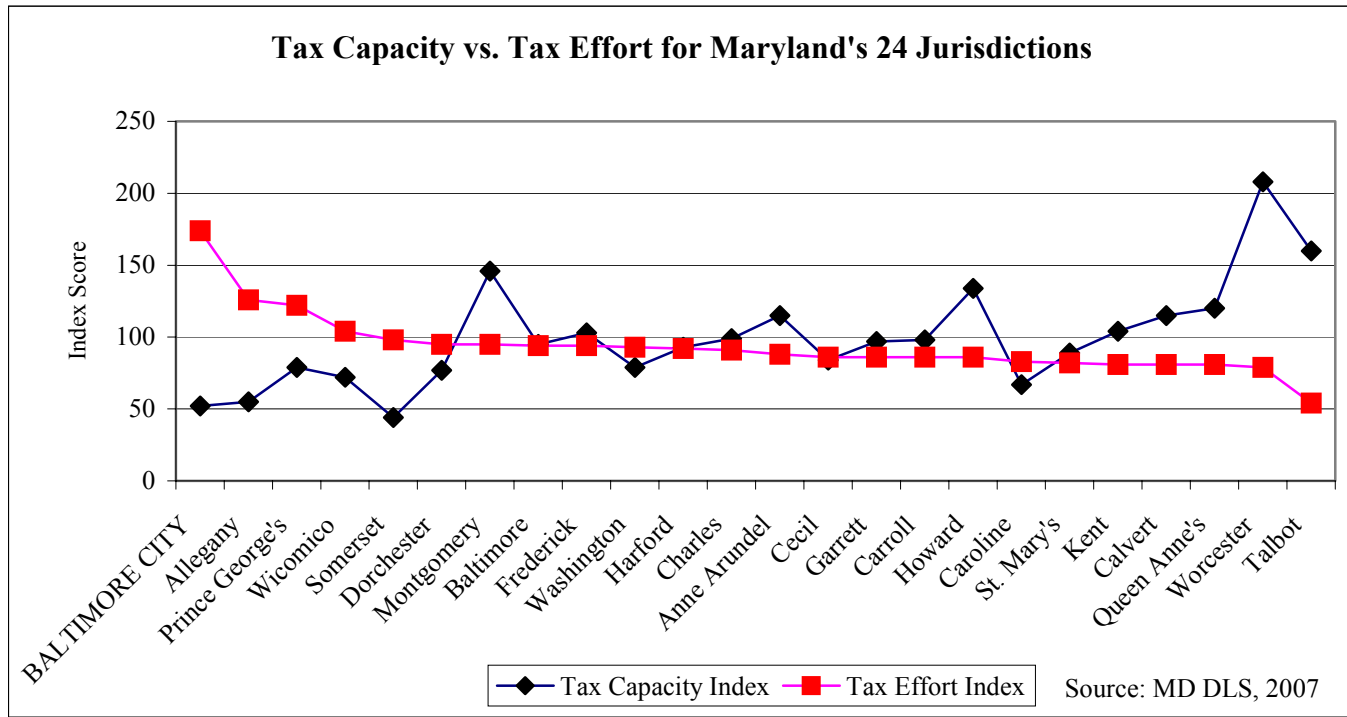
- Tax capacity = potential of the tax base
- Tax effort = the extent to which the local tax base is exploited (actually taxed)

Tax Capacity vs. Tax Effort*



*An index score of 100 = statewide average.

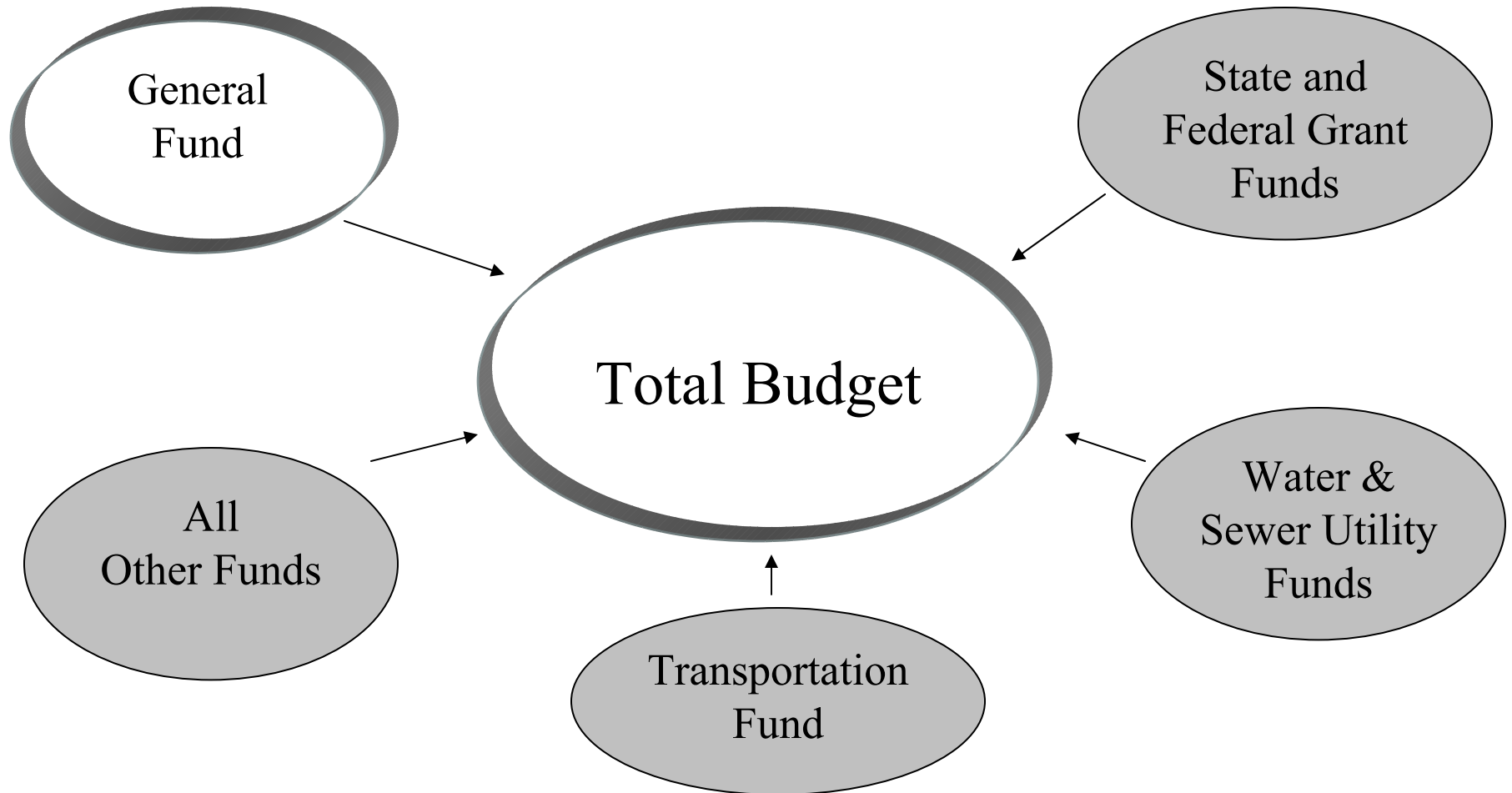
Tax Capacity vs. Tax Effort*



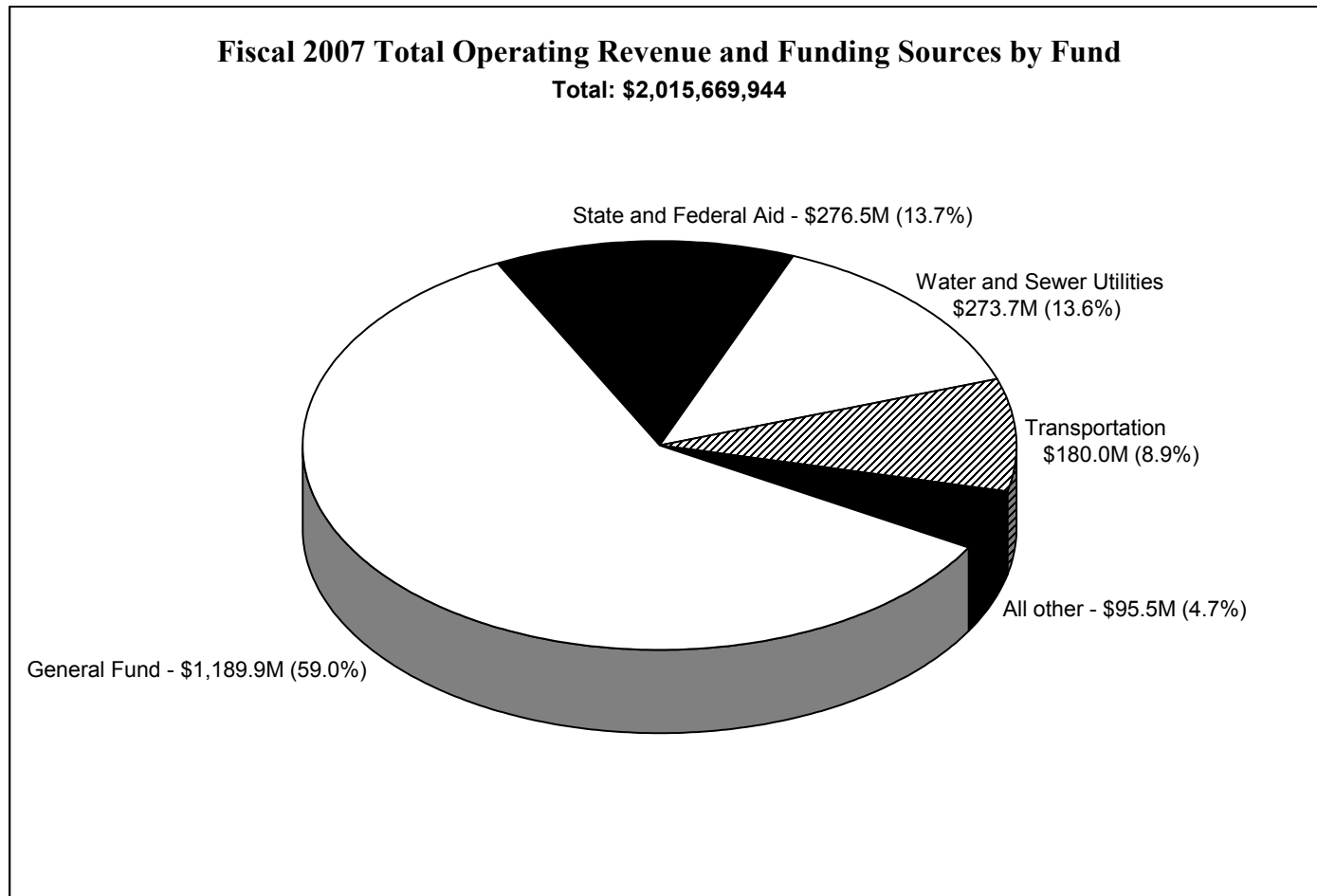
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THE CHALLENGE

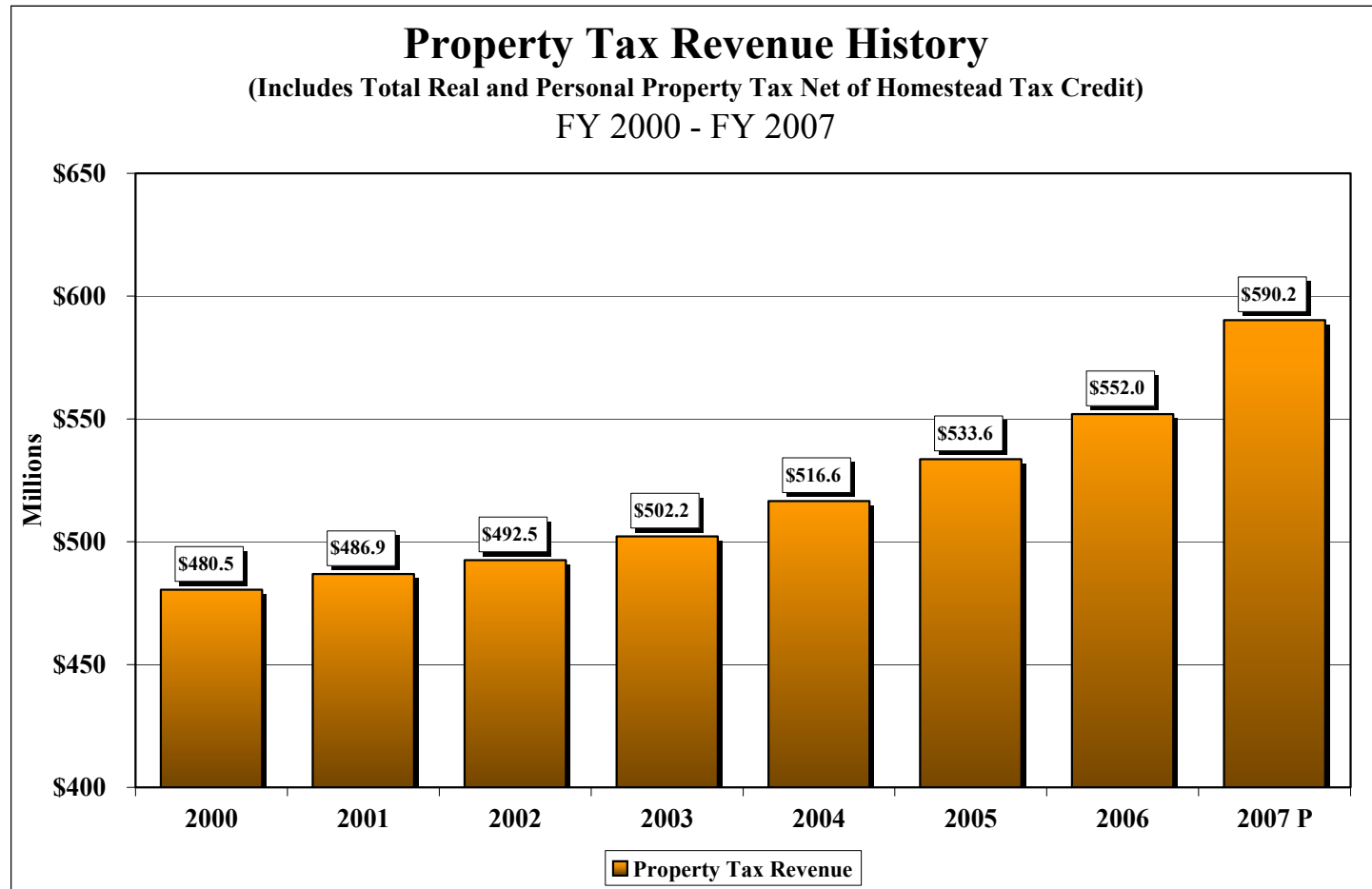
City of Baltimore Budget Construction



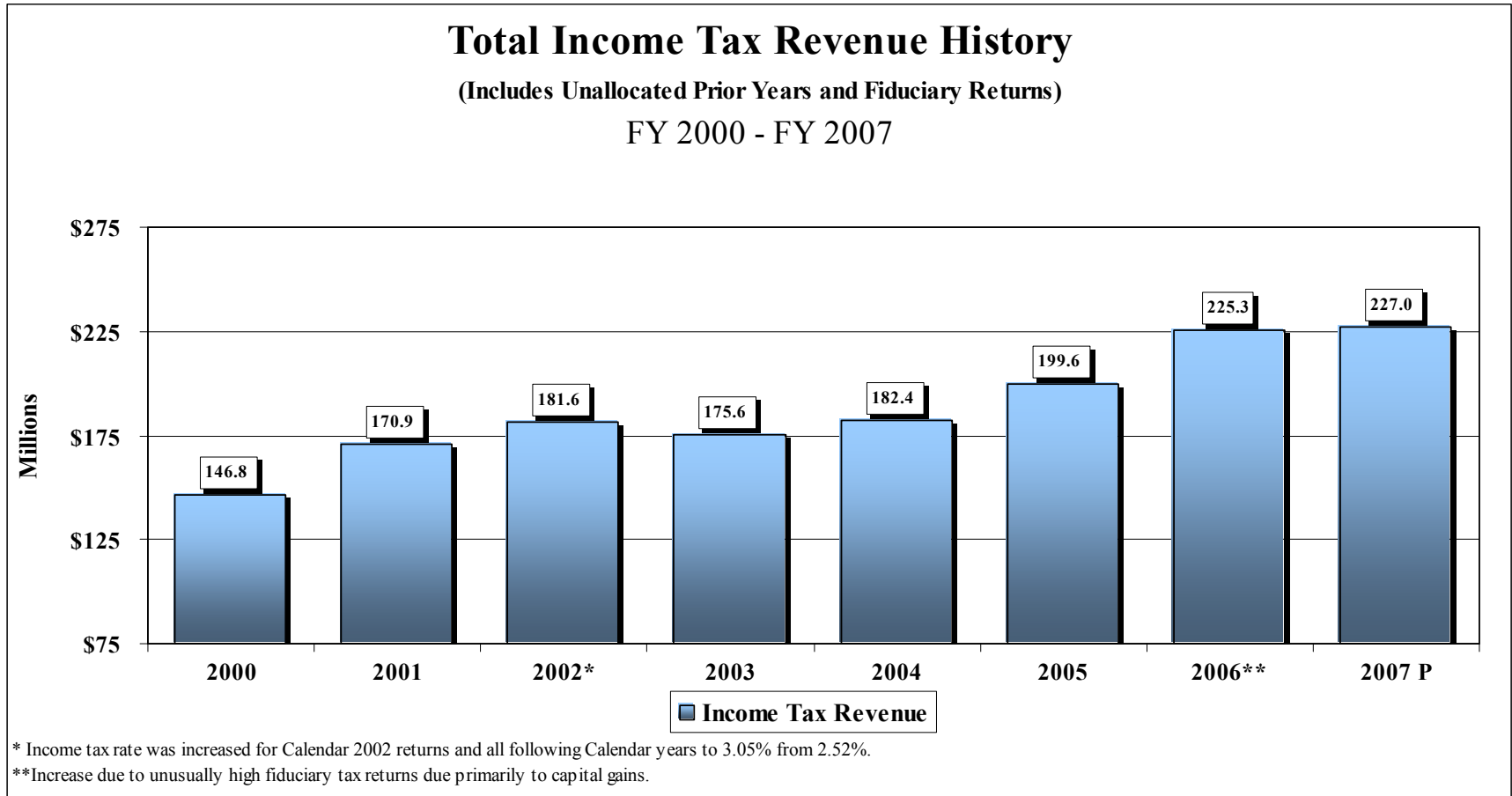
FY07 Total Operating Revenue and Funding Sources by Fund



Revenue History – Property Tax



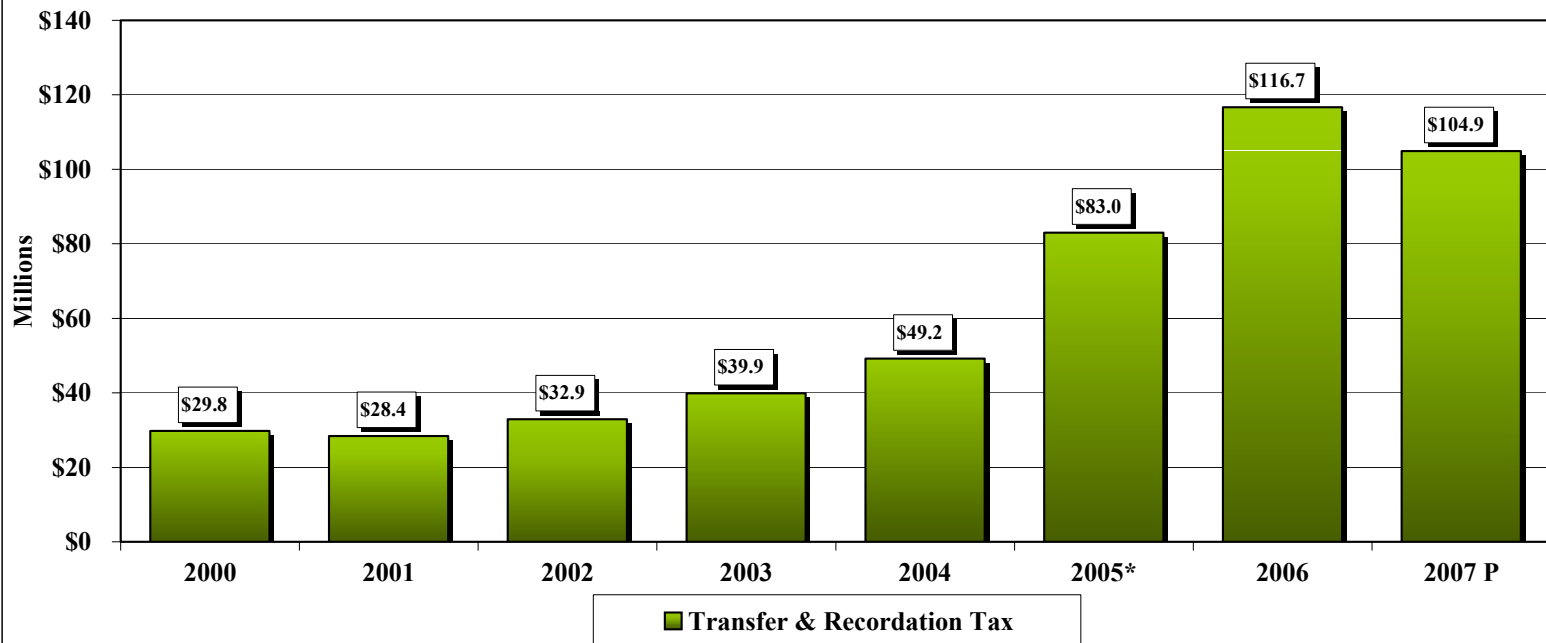
Revenue History – Income Tax



Revenue History – Transfer and Recordation Taxes

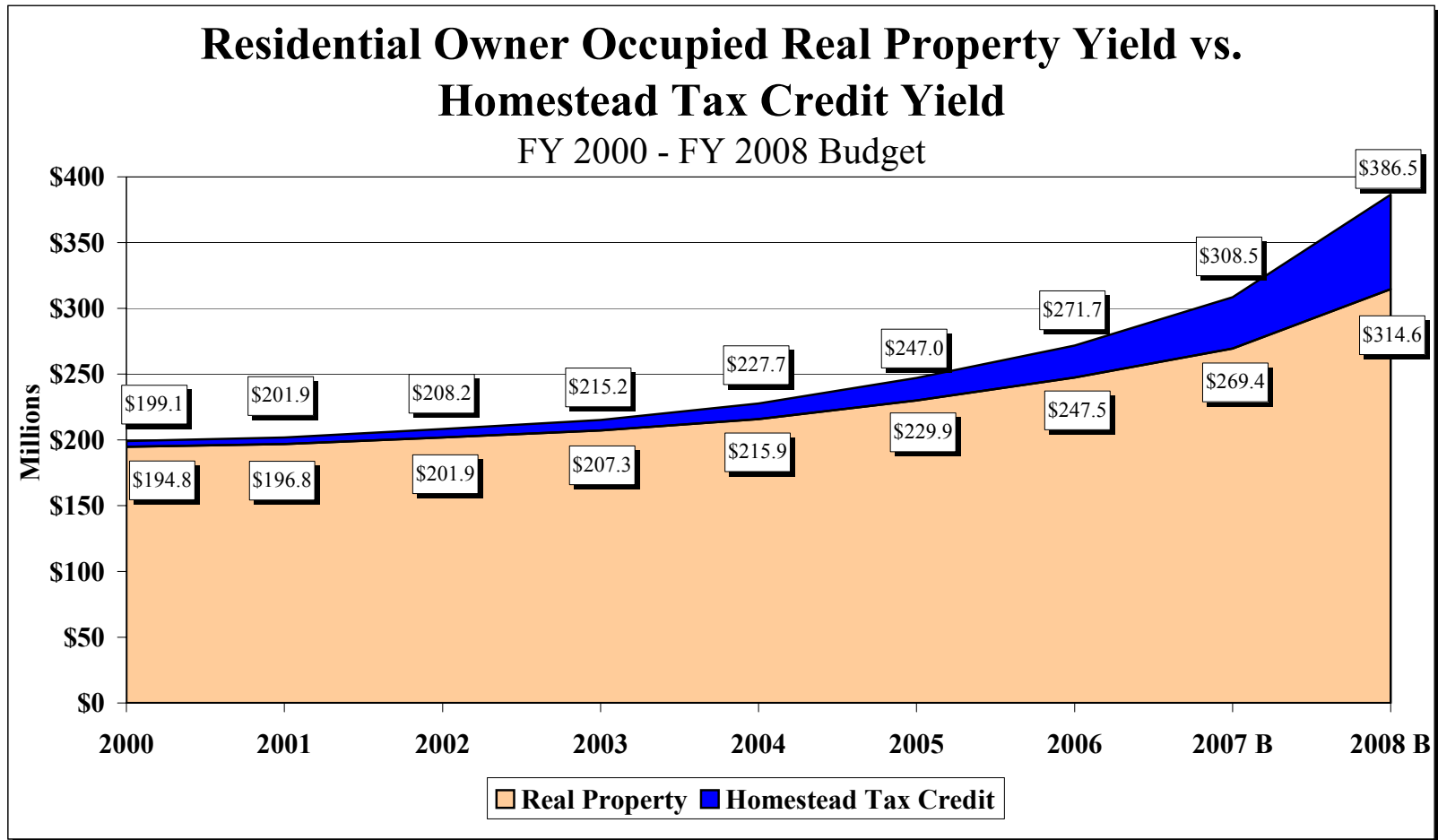
Transfer and Recordation Tax Revenue History

(Combined Revenue)
FY 2000 - FY 2007

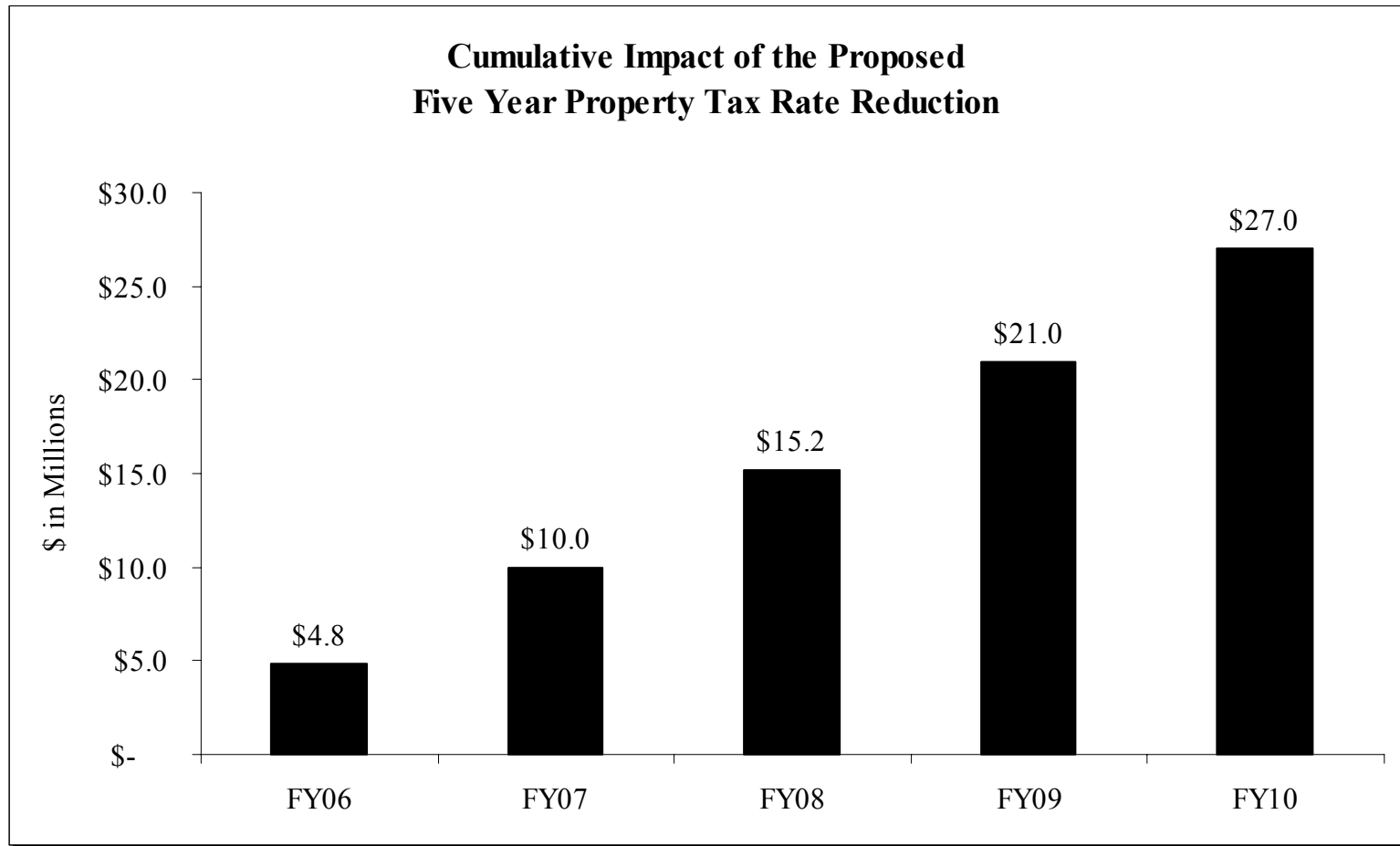


* Recordation tax rate was increased in Fiscal 2005 from \$2.75 for each \$500 or 0.55% of the consideration to \$5 for each \$500 or 1% of the consideration. Additionally, a recordation tax exemption on the first \$22,000 of the consideration is provided for owner-occupied properties.

Impact of 4% Growth Limit of the Homestead Tax Credit on Real Property Tax Revenues



Cumulative Impact of 2¢ Rate Cut



General Fund Revenue Categories

Category	Fiscal 2007 Budget	% of Total	Cumulative % of Total
Local Taxes	\$ 993,741,000	82.5%	82.5%
State Aid	97,982,000	8.1%	90.7%
Charges-Current Services	38,981,000	3.2%	93.9%
Licenses & Permits	30,396,000	2.5%	96.4%
Use of Property	15,197,000	1.3%	97.7%
Revenue Transfers	12,560,000	1.0%	98.7%
Use of Money	10,292,000	0.9%	99.6%
Fines & Forfeitures	2,728,000	0.2%	99.8%
Other Revenues	1,831,000	0.2%	100.0%
Federal Grants	119,000	0.01%	100.0%
Private Grants	96,000	0.008%	100.0%
Total	\$ 1,203,923,000	100.0%	

General Fund

Top Ten Revenue Sources

Revenue Source	Fiscal 2007 Budget	% of Total	Cumulative % of Total
Real & Personal Property Taxes	\$ 592,112,000	49.2%	49.2%
Income Taxes	\$ 214,780,000	17.8%	67.0%
State Aid-Disparity Grant	\$ 76,002,000	6.3%	73.3%
Property Transfer Tax	\$ 51,756,000	4.3%	77.6%
Recordation Tax	\$ 46,550,000	3.9%	81.5%
Energy Taxes	\$ 29,645,000	2.5%	84.0%
Telephone Tax	\$ 26,500,000	2.2%	86.2%
Net Parking Revenues	\$ 25,231,000	2.1%	88.3%
Net Hotel Tax	\$ 15,317,000	1.3%	89.5%
State Aid-Health	\$ 12,079,000	1.0%	90.5%
All Other	\$ 113,951,000	9.5%	
Total Revenues	\$ 1,203,923,000		

Property Tax

Rate Reduction Equivalencies

Reduction in Tax Rate	% Reduction*	Amount of Revenue Required to Be Made Up**	Equivalent General Fund FTE's	% of Total General Fund FTE's
\$0.01	0.4%	\$ 2,327,000	58.18	0.6%
\$0.05	2.2%	\$ 11,635,000	290.88	3.1%
\$0.10	4.4%	\$ 23,270,000	581.75	6.2%
\$0.15	6.6%	\$ 34,905,000	872.63	9.3%
\$0.20	8.7%	\$ 46,540,000	1,163.50	12.4%
\$0.25	10.9%	\$ 58,175,000	1,454.38	15.5%
\$0.50	21.9%	\$ 116,350,000	2,908.75	31.0%
\$0.75	32.8%	\$ 174,525,000	4,363.13	46.5%
\$1.00	43.7%	\$ 232,700,000	5,817.50	62.0%

Notes: *Based on the Fiscal 2007 tax rate of \$2.288/\$100 of AV

**Assumes that 1 cent on the tax rate will raise \$2.327 million

New Households Required to Offset the Cost of a 50 Cent Property Tax Reduction

Assumption: Tax rate=\$1.788/\$100 of AV; To determine the number of additional units required to replace \$116,350,000*		
Taxable Assessable Value	Property Tax Yield	Number of new Taxable Units Required
\$ 80,000	1,430	81,341
\$ 100,000	1,788	65,073
\$ 150,000	2,682	43,382
\$ 200,000	3,576	32,536
\$ 250,000	4,470	26,029
\$ 300,000	5,364	21,691
\$ 400,000	7,152	16,268
\$ 500,000	8,940	13,015

*There would be some additional offset from increased income tax revenues from these new households as well but the income tax yield is more complicated to estimate.

The average assessable value of a home in the city is \$86,538 (after the 4% cap is applied).

Questions?